



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

TELECOMMUNICATIONS

IN THE MATTER OF THE APPLICATION OF
VERIZON NEW JERSEY, INC. FOR THE
APPROVAL OF THE SALE AND CONVEYANCE) ORDER OF APPROVAL
OF REAL PROPERTY LOCATED IN THE CITY OF)
JERSEY CITY, HUDSON COUNTY, NEW JERSEY
TO KENNEDY BUSINESS CENTER, LLC.) DOCKET NO. TM05100861

(SERVICE LIST ATTACHED)

BY THE BOARD

On October 11, 2005, Verizon New Jersey Inc. ("Petitioner" or "VNJ") filed an application for approval of the sale and conveyance of real property located in the City of Jersey City, Hudson County, New Jersey ("Property") to Kennedy Business Center, LLC ("Buyer"). According to the petition, VNJ is the owner of a certain parcel of Property, consisting of a six story 62,386 square foot building on approximately 1.20 acres of land located in the City of Jersey City, Hudson County, New Jersey. The Property is known and designated as Lot PL- A in Block 582 on the Tax Map of the City of Jersey City.

The Property was originally acquired by the Petitioner through a series of purchases between September 16, 1970 and October 20, 1981 at a total purchase price of \$709,500.00. The total cost of improvements to the Property which consist of the existing 62,386 square foot building and accessory facilities constructed in 1974, including subsequent improvement was \$7,056,846.00. The Property ceased to be used for utility purpose on or around December, 2004, when personnel from this location were transferred to another existing location in Newark, New Jersey. In February 2004, VNJ determined that the Property was not needed for any present or prospective utility purposes, and therefore should be marketed for sale.

Welsh Chester Galiney Matone, Inc., a real estate appraiser, was requested to review the current market conditions and to determine the value of the Property. The appraiser concluded, based on the available market data that, as of March 3, 2004, the market value of the Property was \$8,900,000. On July 8, 2005, the appraiser re-examined the local market based on current market conditions and Petitioner's marketing efforts and issued an addendum to its appraisal revising the appraised market value as being \$6,250,000.00 to \$6,500,000.00.

The Property is presently carried on Petitioner's books in the amount of \$4,286,318. The Property is not income producing, and its 2004 assessed value is \$3,650,000 (reduced from \$5,000,000 on appeal).

The Property was advertised for sale in May 2005. On June 30, 2005, three bids were received and rejected as being less than the appraised fair market value. Since the advertisement produced bids lower than the original appraised value, the Petitioner, by letter dated July 8, 2005, provided the bidders an opportunity to resubmit their highest and best offers. On July 14, 2005, revised bids were received from all three original bidders. The highest bid was received and accepted by the Petitioner in the amount of \$6,405,000 by Mayer Weiss. Mayer Weiss, the highest bidder, subsequently advised the Petitioner that the title was to be taken in the name of Kennedy Business Center, L.L.C., a limited liability company wholly owned by Mayer Weiss as specified in the original bid. Petitioner believes that the Buyer's bid is the best price attainable for the Property and represents a fair market value of the Property.

According to VNJ, the Petitioner reserves no rights or interests in the Property except all rights, titles, and interest in and to all telecommunications facilities presently located in the public streets adjoining the Property and permanent and perpetual right, privilege, authority, easement and right of way to place, replace, construct, reconstruct, install, operate, use, repair, maintain, relocate and remove such telecommunications facilities as VNJ and its successors and assigns may from time to time deem necessary in, on, over, under and through the streets adjoining the Property as more particularly set forth and described in said paragraphs 16 (i), 16 (ii) and 16 (iii) of the Agreement attached with the Petition.

VNJ and the Buyer have complied with all statutory requirements regarding the sale of utility Property as contained in N.J.A.C. 14:1-5.6 and N.J.S.A. 48:3-7, and there is no relationship between the parties other than that of transferor and transferee.

The Division of the Ratepayer Advocate ("Ratepayer Advocate") filed comments on February 1, 2006, recommending that VNJ's petition be deferred until a more recent appraisal is obtained and provided to all parties. The Ratepayer Advocate noted that the original appraisal by VNJ was for \$8,900,000.00. The Ratepayer Advocate believes that, given the current real estate boom in the State of New Jersey and nationally, it is uncertain whether or not Petitioner's second appraisal of July 8, 2005, adjusting the price between \$6,250,000 and \$6,500,000, in fact truly reflects the market value of the subject property. The Ratepayer Advocate believes that VNJ should be ordered to obtain a new independent appraisal. The Ratepayer Advocate further asserts that VNJ has violated the Board's Rules because it did not seek authority from the Board to negotiate with the three bidders who submitted bids that were less than the appraised value of the Property and also VNJ did not request a waiver from the Board of the advertising requirement as set forth N.J.A.C. 14:1-5.6(b). In addition the Ratepayer Advocate recommended that the Board modify its previously issued sharing order and direct a sharing of the proceeds of the sale with ratepayers.

In its comments filed on February 7, 2006, VNJ asserts that the Ratepayer's recommendation ignore the fundamental principle that the actual value of the property is ultimately determined by the market—not by expert opinion. VNJ argues that since it commissioned the July 8 appraisal after receipt of Buyer's high bid and since the Appraisal Addendum fully supports that bid, no legitimate purpose would be served by requiring VNJ to obtain still another appraisal at this juncture. VNJ further argues that the Board rejected similar Ratepayer assertions in I/M/O the Application of Verizon New Jersey Inc. for Approval of the Sale and Conveyance of Real Property in the Township of Hanover, Morris County to Joseph Loboza, BPU Docket No.

TM05020103 (June 8, 2005); and in I/M/O the Application of Verizon New Jersey Inc. for Approval of the Sale and Conveyance of Real Property in the Borough of Oradell, Bergen County to Holy Name Hospital. BPU Docket No. TM05080754 (October 27, 2005). VNJ, in response to the Ratepayer Advocate, comments that VNJ should have sought the authority from the Board to negotiate with the three bidders and should have requested the Board for a waiver of the advertising requirement as set forth in N.J.A.C. 14:1-5.6(b), but asserts that there is nothing in the Board Rules or otherwise at law that prohibits the procedure followed by VNJ. VNJ argues that the Ratepayer Advocate continues to maintain its position that ratepayers be permitted to share in the proceeds of the sale despite the fact the Board squarely rejected its sharing argument in a separate investigative proceeding solely on this issue. See I/M/O The Board's Investigation as to Whether Ratepayers Should Share in the Proceeds Arising from the Sale and Conveyance of Real Property by Verizon New Jersey, Inc., BPU Docket No. TX04080749 (August 12, 2005).

On February 6, 2006, the Ratepayer Advocate filed Amended Comments in which it reiterated its position and recommendations.

On February 10, 2006, VNJ faxed its response to Ratepayer Advocate's Amended Comments noting that the Amended Comments do not raise new issues and urged the Board to approve its petition.

DISCUSSION

The Board agrees with VNJ's position that the fact that the Property was advertised and that the competitive bidding process produced a highest bid is a proper indication that the petitioner accepted the best achievable market price and that the negotiations with the three bidders without any further advertisement of the property has no adverse impact on the final outcome. Furthermore, the Board notes that an appraisal after the market has already established the Property's true market value does not serve any purpose. The Board notes that the Ratepayer Advocate asserted a similar contention which was rejected by the Board in I/M/O the Application of Verizon New Jersey for Approval of the Sale and Conveyance of Real Property in the Township of Hanover, Morris County, New Jersey to Joseph Lobo, BPU Docket No. TM05020103 (June 8, 2005). The Board also notes that the sale price of \$6,405,000.00 is more than the book and assessed values of the Property and is within the range of appraised values. Furthermore, the Board finds that it has resolved the sharing issue in its previous Order I/M/O The Board's Investigation as to Whether Ratepayers Should Share in the Proceeds Arising from the Sale and Conveyance of Real Property by Verizon New Jersey, Inc., BPU Docket No. TX04080749 (August 12, 2005), indicating that VNJ is being regulated under an Alternate Plan of Regulation that does not require sharing of any sale proceedings arising from the sale and conveyance of real property by VNJ.

As to the issue of re-advertising the property prior to sale, the Board believes that VNJ should have either re-advertised or sought Board waiver of the advertising rules under N.J.A.C. 14:1-5.6(i). Nevertheless, in this case, a waiver of the advertising requirements of N.J.A.C. 14:1-5.6(b) is appropriate as the waiver will not adversely affect the public interest, the property is no longer used or useful, there is no prospective utility purpose or other prospective buyer, the sale will not affect the ability of the utility to provide safe, adequate and proper service, the selling price represents a fair market value, there is no relationship between buyer and seller, and the nature of the prior advertising and subsequent withdrawal of the buyer renders advertising unnecessary in this particular situation. Because the negotiations followed prior advertised bids, the Board believes that the intent of the regulation has been sufficiently met to warrant a waiver.

The Board, does, however, deem it appropriate to remind VNJ of the requirements of the regulations and to ensure that a timely waiver is sought in the future.

In view of the foregoing, the Board FINDS that the proposed sale of said Property will not affect the Petitioner's ability to provide safe, adequate and proper service, is in the public interest and in accordance with law, and FURTHER FINDS that a waiver of the advertising requirements is appropriate. Accordingly, the Board HEREBY APPROVES the sale, subject to the following conditions:


Petitioner is directed to advise the Board of the date on which the transaction is completed, within ten (10) days of completion;

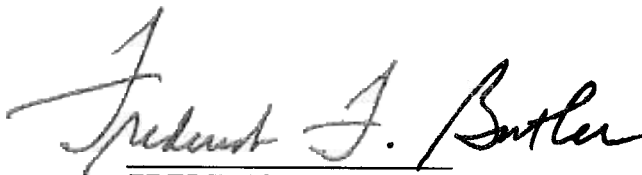
this Order shall be of no effect, null and void, if the sale hereby approved is not completed within six (6) months of the date hereof unless otherwise ordered by the Board; and

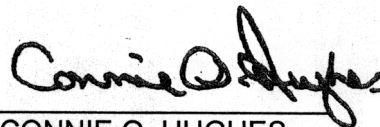
the approval of the proposed journal entries recording the sale of this Property shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, financing, accounting, capitalization, depreciation or in any other matters affecting Petitioner.

DATED: 3/22/06


BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

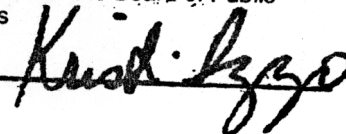

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



SERVICE LIST

Docket No. TM05100861

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